

GOVERNMENT THAT WORKS!
NEW JERSEY DEPARTMENT OF THE TREASURY
LOCAL GOVERNMENT BUDGET REVIEW
MORRISTOWN

CHRISTINE TODD WHITMAN
Governor

BRIAN W. CLYMER
Treasurer

JANE KENNY
Commissioner
Department of Community Affairs

SEPTEMBER, 1996



GOVERNMENT THAT WORKS

OPPORTUNITIES FOR CHANGE

The Report of the Morristown Budget Review Team

New Jerseyans deserve the best government that their tax dollars can buy. Governor Christie Whitman is committed to making State government leaner, smarter, and more responsive, by bringing a common sense approach to the way government does business. It means taxpayers should get a dollar's worth of service for every dollar they send to government, whether it goes to Trenton, their local town hall or school board.

Government on all levels must stop thinking that more money is the solution to their problems, and start examining how they spend the money they have now. The State's taxpayers cannot afford to keep sending money to their government. It is time for government to do something different.

There is no doubt that local government costs -- and the property taxes that pay for them -- have been rising steadily over the last decade. Until now, the State has never worked with towns to examine what is behind those rising costs. That is why the Local Government Budget Review Program was created by Governor Whitman and State Treasurer Brian W. Clymer. Its mission is simple: to help local governments find savings, without compromising the delivery of services to the public.

The Local Government Budget Review Program fulfills a promise Governor Whitman made in her first budget address, when she offered the State's help to local governments looking to cut costs. This innovative approach combines the expertise of professionals from the Departments of Treasury, Community Affairs and Education, with team leaders who are experienced local government managers. In effect, it gives local governments a management review and consulting service provided to them at no cost by the State.

To find those "cost drivers" in local government, the teams will review all aspects of the local government operation, looking for ways to improve efficiency and reduce costs. The teams will also document those State regulations or legislative mandates which place an unnecessary burden on local governments, and suggest which ones should be modified or eliminated. Finally, the teams will note where local governments are utilizing "Best Practices" -- innovative ideas that deserve recognition and that other municipalities may want to emulate.

This intensive review and dialogue between local officials and the review team is designed to produce significant insight into what factors are driving the costs of local governments, and provide the necessary tools to bring meaningful property tax relief to the State.

EXECUTIVE SUMMARY

The report prepared by the Local Government Budget Review Team assigned to Morristown contains four sections. Section One contains a summary of four best practices deserving to be copied throughout the State of New Jersey. The second section contains a series of recommendations pertaining to the staffing needs of the municipality, the size and role of the governing body, the effectiveness of various municipal procedures, debt service issues, and recommendations affecting the delivery of police, fire, court, public works, and health and human services.

The four best practices summarized in the first section are the cooperative health clinic, the training of first line and mid-level supervisors in the police department, the Black Meadows Regional Cooperative and Morristown's designation as a Regional Center by the State of New Jersey.

Section Two of the report suggests that the municipality hire a full-time finance officer or an assistant administrator, consider eliminating the ward structure for municipal elections, simplify permit and license application procedures, review the need to continue the parking authority as a separate governmental entity, address the challenge of rising annual debt service payments, and work to modify or eliminate some sections of the existing collective bargaining agreements.

In the area of budget and revenue recommendations the team suggested that Morristown modify its sewer billing procedures to reduce the variation in the staff workload, pursue several options to increase the collection of delinquent taxes, utilize a more conservative approach when projecting the tax collection rate and local non-tax revenues for an upcoming year, integrate the decentralized purchasing procedures through the use of an improved automated system and continue to make annual adjustments in the cost of local licenses and fees to ensure that the fee covers the cost of their issue.

Possible improvements in support services include contracting the upkeep and maintenance of the municipal code; reducing the costs resulting from injuries to employees through an active safety program; and, consolidate the land use, engineering, planning and inspection functions into one department under the direction of the municipal engineer.

Public safety and municipal court recommendations include raising the fee for parking meter violations, revising the sick leave and vacation allocations for fire fighters, hiring one fire fighter when the position of Deputy Fire Chief becomes vacant, utilizing fire fighters as first responders to emergency medical service calls, establishing mutual response zones with Morris Township, contracting with Morris Township for the completion of fire safety inspections, controlling police overtime through amendments to the current staffing policies, utilizing substitute dispatchers, resolving the backlog of reports and interview transcripts, making use of the disability provisions of the Police and Fire Retirement System, hiring one or more bilingual officers and transferring the fund balance in the outside police account to the current fund.

Recommendations affecting the delivery of public works services include revising the refuse collection routes to eliminate regularly scheduled overtime, contracting for the collection of recyclables through the Morris County Municipal Utility Authority, consolidating the fleet maintenance work with Morris Township and Morristown to reduce costs and alleviate overcrowding at the public works site. In addition, it is recommended that the Colonial Coach Bus Service be reduced to one bus operating along a single, revised route and that Morristown aggressively seek customers for the sewage treatment plant thereby generating additional operating revenue that can be used to offset more of the fixed costs.

Changes that can be made to benefit the taxpayer affecting the delivery of health and human services include establishing a nominal fee for van services provided by the division on aging, contracting animal control services, reducing the staff of the general assistance program and/or expanding the work place and eligibility investigation work of the staff, and consolidating all municipal recreation programs into one area service, possibly coordinated through the community education fund of the Morris School District.

The third section of the report, which is dedicated to identifying changes in the State regulations and procedures that can benefit the taxpayer include a suggestion that the cap be raised on the amount that can be charged for the annual renewal of a liquor license and that the procedures for determining the maximum number of liquor licenses be changed for municipalities designated as a Regional Center by the State.

In the final section of the report nine opportunities for enhanced regional cooperation are identified. They include cooperatively contracted vehicle maintenance; interlocal building permits and inspections; cooperative fire subcode inspections; consolidated tax and utility bill collections; mutually contracted payroll services; joint emergency services dispatching; a “community education and recreation” enterprise fund, consolidated programs and services for seniors, and seasonal road repair.

**COMPARISON OF BUDGET APPROPRIATIONS, STATE AID, AND THE
LOCAL TAX RATE WITH THE RECOMMENDED CHANGES IN THE
MORRISTOWN COST OF GOVERNMENT**

RECURRING COST REDUCTIONS, REVENUE ENHANCEMENTS and EXPENSES

Hire a Chief Municipal Finance Officer or an Assistant Administrator - Recurring expense	<\$ 75,000>
Eliminate cost of health and dental benefits for members of the governing body - Recurring cost reduction	\$ 33,250
Absorb the parking authority into the municipal government - Recurring cost reduction	To be determined
Pursue new revenue from lease of municipal hall space and sewage treatment capacity - Recurring revenue enhancement	\$500,000
Improve delinquent tax collection rate by 20 percent - Recurring revenue enhancement	\$404,522
Establish minimum building permit fee - Recurring revenue enhancement	\$ 5,000
Improve interest income on deposits - Recurring revenue enhancement	\$113,166
Reduce costs of goods and service purchased through use of municipal buying power - Recurring cost reduction	\$116,870
Contract for annual update and maintenance of the municipal code - Recurring cost	To be determined
Eliminate one clerical position in a consolidated land use, construction and engineering department - Recurring cost reduction	\$ 38,000
Eliminate cost of benefits for the planning staff through use of professional service agreements - Recurring cost reduction	\$ 14,800

Eliminate two temporary positions used to oversee construction of the sewage treatment plant and renovation of the new municipal building - Recurring cost reduction	\$118,722
Eliminate two engineering aid positions - Recurring cost reduction	\$ 95,000
Increase local fine for parking meter violations - Recurring revenue	\$ 83,310
Revise sick leave and vacation allocations for fire fighters - Recurring cost reduction	\$ 45,475
Replace Deputy Fire Chief position with one fire fighter position - Recurring cost reduction	\$ 15,000
Contract with Morris Township for fire safety inspections Recurring expense	To be determined
Reduce police overtime through modification of minimum staffing requirements - Recurring cost reduction	\$ 70,985
Utilize substitute dispatchers in lieu of police officers - Recurring cost reduction	\$ 16,850
Reduce Colonial Coach Service to one bus - Recurring cost reduction	\$ 49,678
Establish nominal fee for division on aging van service Recurring revenue	\$ 5,000
Consolidate vehicle maintenance - Recurring cost reduction	\$ 29,105
Reduce refuse collection overtime - Recurring cost reduction	\$ 26,620
Contract with the Morris County Municipal Utilities Authority to pick up all recycling - Recurring expense	<\$74,460>
Eliminate three public works positions - Recurring cost reduction	\$100,980
Contract animal control services - Recurring cost reduction	\$ 24,900
Eliminate the equivalent of one full-time position	

in the General Assistance program - Recurring cost reduction	\$ 22,970
Raise cap on annual cost of liquor license renewal - Recurring revenue enhancement	To be determined

IDENTIFIED TOTAL

Recurring cost reductions	\$ 819,205
Recurring revenue enhancements	\$1,106,498
Recurring expense	<u><\$ 149,460></u>
TOTAL	\$1,776,243

Total amount to be raised for Municipal Tax - 1995:	\$10,765,585
Recurring cost reductions and revenue enhancements as a percent of municipal tax:	16.5%

Total Current Fund Budget - 1995	\$26,860,079
Recurring cost reductions and revenue enhancements as a percent of the 1995 budget:	6.6%

Total State Aid - 1995	\$ 3,383,035
Recurring cost reductions and revenue enhancements as a percent of the 1995 state aid:	52.5%

**ADDITIONAL NON-RECURRING COST REDUCTIONS,
REVENUES AND EXPENSES**

Contract for temporary agency personnel to eliminate backlog of police reports and transcripts	<\$5,000>
Install computer work stations for use in preparing police reports and work stations	<\$20,000>
Transfer part of the fund balance in the Outside Police Account to the Current Fund	\$ 32,238
Competitive bid to purchase additional liquor license	To be determined

INTRODUCTION

Morristown includes historical sites of considerable importance to the region and the nation. There are neighborhoods in Morristown composed of elegant homes, many with their own unique history. Other neighborhoods provide the area's only affordable housing for some of the newest residents of the community. Many families have lived in Morristown for multiple generations while a growing number are newcomers not only to the community but to the nation also. The commercial areas contain a mix of old and new businesses as well as a mix of old and new structures. Throughout Morristown there are a host of tax-exempt properties, many of which draw individuals to the area for the purpose of obtaining medical care and special support services.

Morristown is not the quaint historical community that it was in the past and that it is still perceived to be. It is a small town in terms of its geography, but it is also a modern urban area full of the complexities resulting from a high population density, a decreasing net value of its tax base, and a wide range of cultures, family structures, incomes and educational levels. It is a small town with big city constraints and issues. It is certainly more heterogeneous than homogeneous particularly when compared to its surrounding neighbors and to Morris County in general.

The complexities and differences found in Morristown manifest themselves in the budget and in the delivery of services to the residents and businesses. These range from the fact that the governing body has used non-tax revenue extensively in every budget, to the practical problems resulting from an under-sized and overcrowded public works facility. Recommendations addressing these issues as well as other recommendations covering a wide range of topics, are presented in **Section Two** of this report, **"Issues and Opportunities in Morristown."**

It is important to note that the field work began prior to the move to the new town hall and ended after the move was started. Notwithstanding this, information was made available to the fullest extent possible. In some situations when records were packed for the move or for placement in storage the review team chose not to pursue them, particularly if it was determined that the absence of some data would not materially affect the reliability or validity of the recommendations being made.

To suggest that there are only issues or problems in Morristown would be unfair to the taxpayers, the governing body and the staff, all of whom were exceptionally cooperative during the field work portion of the Local Government Budget Review. **Section One** of the report, which is titled **"The Best Practices of Morristown,"** highlights several items deserving recognition. The items discussed are unique services and strategies reflecting a strong commitment to the taxpayer, and therefore deserving of special recognition.

In **Section Three, “Opportunities to Amend State Procedures,”** a recommendation is made regarding the ceiling on the annual fee for alcohol beverage licenses and the method for computing the maximum allowable number of licenses.

The Morristown review was one of three Morris County municipal reviews undertaken simultaneously. The opportunity to conduct field work and analysis of the municipal operations in Morristown, Morris Township and Morris Plains gave the Local Budget Review Team the opportunity to focus on special opportunities for cooperation among municipal agencies. As a result, a **special fourth section, “Opportunities for Enhanced Cooperation,”** has been included in the report. It is identical to the fourth section of the reports presented to the governing bodies of Morris Township and Morris Plains.

SECTION ONE

THE BEST PRACTICES OF MORRISTOWN

The Cooperative Health Clinic

In other communities, Local Budget Review Teams have found that the provision of general health services through a clinic operated by a local government are often redundant, very expensive to operate, and marginally effective in reaching out to those most in need. In more than one case the review teams found that the clinic physicians were referring patients to outside organizations in which they had a financial interest.

The Morristown Health Clinic is an exception these findings. The staffing costs are minimal, and the costs per patient visit appear to be well below the costs identified in other municipalities. In addition it appears the services are well focused and non-competitive while meeting the basic health needs such as infant immunizations, well care screenings, etc.

The underlying premise to this success is the cooperation between Morristown and Morristown General Hospital. This arrangement is indicative of the realization that while some special provisions must be made to assist those in need there is no requirement for a local government to establish its own independent service particularly when it is able to utilize the expertise of their medical community.

Police Training of First Line Supervisors and Mid-Level Managers

The training demands and requirements for police tend to focus on the technical aspects of their work. These range from the basic procedures of a traffic stop to the highly sophisticated work of specialized units. The Morristown Police Department has undertaken a concerted effort to meet all technical training requirements as well as focus on training in leadership, management and supervisory skills for first-line supervisors and mid-level managers. The ability to perform all of the technical functions of police work is fundamentally different from the ability to effectively supervise personnel and properly manage a division or unit in the Police Department.

These additional training objectives are being met without a significant increase in the overall cost of training or a reduction in the number of hours senior police personnel are available to perform their assigned duties. Aside from the individual growth and development opportunities, this training can lead to enhanced communication within the chain of command, as well as a greater sense of professionalism and commitment within the department.

Black Meadows Regional Cooperative

The purchase of major pieces of equipment used by fire fighters is extremely costly. Decisions to make a major purchase can become a practical and budgetary challenge. In one sense it can appear to be unwise given the limited use the equipment will get. On the other hand, staff and elected officials are often concerned that failure to provide such equipment could put citizens or volunteers in harms way.

The practical reality is probably somewhere in between these two extreme positions. Specialized equipment will someday be needed in most communities, but it won't be needed very often. The Black Meadows Regional Cooperative is a group of fire departments in Morris County that have developed a practical approach to the problem outlined above.

These agencies work to eliminate unnecessary duplication and redundancy in the purchase of major capital equipment. If one agency has a specialized piece of equipment it is made available to the other members of the cooperative. The capital purchases made by a town on behalf of their fire units tend to correlate to a specialty developed by that fire unit on behalf of the Black Meadows Regional Cooperative.

Given the tremendous number of fire districts and fire departments in New Jersey the chance to reduce capital costs while continuing to provide quality fire and emergency rescue services through enhanced cooperation is clearly a best practice deserving wide recognition and even broader acceptance throughout the State.

Designation as a Regional Center

In February, 1995 Morristown submitted a petition to the New Jersey Office of State Planning to be designated as a Regional Center. The petition was approved in the Fall of 1995. The task of preparing the petition caused the planning staff and the town to reconsider its planning and capital development priorities, the impact of the significant increase in the daytime population on municipal services, and the continuity between Morristown's plans and the long range planning objectives of the State.

The designation as a Regional Center will give Morristown priority in the competition for grant resources that can be used to address some of its identified priorities. It also clearly reiterates that fact that Morristown has historically been the hub of activity within the region.

It is to the credit of the staff who prepared the petition and the town for identifying this opportunity and making maximum use of it.

SECTION TWO

ISSUES AND OPPORTUNITIES IN MORRISTOWN

GENERAL OBSERVATIONS AND RECOMMENDATIONS

The Staffing of Management and Finance Positions

It was apparent to the review team that Morristown has made quite a few changes over the last three years in an effort to stem the rising cost of government. The changes included staff reductions, particularly among the support staff. At this point Morristown is functioning without a full-time Finance Officer or an Assistant Administrator. Notwithstanding the excellent work of the personnel in the office of the administrator and the finance office, the work load in these two offices remains substantial. They serve as the catalyst and gatekeeper for all other municipal activity. It is essential that these offices be able to perform all of the required tasks in a timely and productive manner. Accordingly, **it is recommended (# 1) that a full-time Assistant Administrator or a full time Finance Officer be hired as quickly as possible.**

Given the skills and experience of the existing personnel, Morristown has the option of hiring either a Finance Officer or an Assistant Administrator. If the latter position is filled then the Business Administrator can assume more of the duties of a Certified Municipal Finance Officer. Conversely, if a CMFO is retained then the Administrator can reduce the amount of time spent on the work of a CMFO. It is estimated that the additional cost in salary and benefits for a full-time CMFO would be approximately \$90,000 per year. The net increase in the municipal expense would not be this great since the town is currently paying wages for some part-time work by the former CMFO.

The Role of the Municipal Governing Body

Morristown is a very small town geographically. Notwithstanding the heterogeneity of the population it is a cohesive community for the most part. Its heterogeneity is one of its strengths. Whether citizens are local business persons or commuters to New York, affluent or poor, long-term residents or newcomers, bilingual or monolingual there is an over-riding sense of community that has not been observed by Local Government Budget Review Teams in other places.

Notwithstanding the small size and cohesiveness of the community, a ward system exists for the election of some members of the governing body. NJSA 40:69 outlines a series of changes that can be implemented in the form and size of a local government through approval of a referendum by the voters. These include the number of council members and the option to select at-large or ward council seats.

Given the characteristics and size of the community as well as the salary and benefit costs associated with the seven member council, **it is recommended (# 2) that consideration be given to placing one referendum on the ballot that calls for election of all council members at-large.**

During 1995 approximately \$33,250 was spent on medical and dental benefits for five out of seven members of the governing body. Regardless of any action taken on the second recommendation, **it is recommended (# 3) that Morristown stop using public funds to underwrite the cost of health and dental benefits for elected officials.** Current members of the governing body who wish to remain part of the group plan could continue to do so while in office by reimbursing the town for 100 percent of the expense.

Eliminating election wards should help the council properly perform its function within the Mayor-Council form of government. The primary function of the council in this form of government is to set the policy of the town through adoption of the budget and approval of local ordinances and resolutions. During interviews with council members and in the course of observing the work of the staff the review team noted an unusually high level of participation in the day-to-day activities of the government by members of the council. They are an integral component of an informal structure which inhibits the effectiveness of the overall organization. It was not uncommon to see members of the governing body talking directly to junior employees in the work place during the work day.

After observing this, employees were asked if they sought out members of the governing body to discuss issues and concerns. Several noted this was quite common, particularly when management was implementing changes or contract negotiations were taking place. **It is recommended (# 4) that the governing body restrict this activity.** By doing this the contact with junior employees would be greatly reduced, if not eliminated, thereby greatly diminishing the strength and viability of the behind the scenes organization.

The Complexity of Morristown Procedures

Another set of components to the informal structure alluded to above are procedures and requirements that do not appear to be based upon local policy or ordinances nor did they appear to contribute to the well being of the taxpayer or business person. There are circumstances where an individual or business must obtain three different permits or licenses from three different municipal departments. At the same time, the team heard debate between staff members regarding the responsibility to complete certain types of inspections and respond to related compliance complaints filed by citizens.

It appears that the combination of a strong informal organization, undue complexity of existing procedures often resulting in extensive backlogs, and uncertainty over statutory powers and responsibilities are compromising the town's ability to ensure compliance with established State and local codes. Specific recommendations regarding the organization and staffing of the inspection and compliance functions are presented in a subsequent

section of this report. Regardless of the whether any changes are made in the organization and staffing levels, **it is recommended (# 5) that the council endorse the formation of a small staff group chaired by the Administrator to propose the elimination of procedures that are not supported by local ordinances.** Those procedures that compromise timely inspection and compliance services should be eliminated. In the case of Morristown it would appear that simpler will be better.

An example which led to this recommendation, included a backlog of 39 zoning board of adjustment applications, many of which appeared to be procedural in nature. Review teams have found that in other communities similar types of issues are the responsibility of the Zoning Officer who is then held accountable for the actions taken. The team observed that a zoning permit is needed to get a building permit or a certificate of habitability. The review team questions the need for a permit in every case. It also questions a procedure in which a potentially unnecessary burden is placed on the taxpayer. This same type of screening is done in other communities by the building permit staff prior to issuing the building permit. For those exceptions where there appears to be a substantive zoning issue, the applicant is referred to the Zoning Officer. The review team also noted a consistent pattern of issuing a large number of temporary or conditional certificates of occupancy. Many remained open or unresolved for an extensive period of time. While the use of a conditional or temporary permit is not necessarily inappropriate, the number and duration indicates a significant procedural problem.

If it is not feasible to accomplish the proposed assessment task in-house then **it is recommended (# 5.a) that an RFP be published soliciting the services of a firm experienced in the detail of municipal procedures to complete the review.**

The Need for a Separate Parking Authority

The municipal budget contains a parking utility fund section. Its use is limited to recording a series of transactions related to outstanding debt and loan payments between the two agencies. When asked why a separate parking authority exists the answers were limited to three general themes. First, the town did not want to deal with the issue of parking directly. Yet the town does become involved to some extent as indicated by the fact that the Office of the Municipal Clerk issues parking permits. Second, the authority was created for the specific purpose of incurring debt not chargeable to the town's debt ratio. Third, the issue of its continued existence has not been raised and there has been no consideration of the merits of its continued existence.

Parking is an integral part of traffic control and enforcement. As such, management and control of parking regulations and parking areas is commonly assigned to a municipal police department. It is often a separate division or section within the department. Given the existence of a parking utility fund, the ability to offset debt with dedicated revenues already exists. It should be noted that the town's annual audit lists debt obligations for parking facilities that are ultimately the responsibility of the taxpayer if the dedicated

revenues are insufficient. The final payment on the Series “A” Parking Bonds is scheduled to be made in 1996.

Given that a debt obligation for a parking construction project will be eliminated during 1996 it is an appropriate time to review the need for a separate governmental agency burdened with overhead expenses such as an audit, appointments of professionals, separate payroll and purchasing procedures, etc. **It is recommended (# 6) that a plan be developed and implemented to merge the parking authority back into the municipal government.** Again, it would appear that the concept that simpler is better is appropriate. The fact that legitimate reasons may have existed years ago to establish an authority does not automatically mean that the same reasons exist today. Similarly, formation of the authority does not in itself guarantee a perpetual existence.

The savings that would accrue as a result of the consolidation would benefit the taxpayer as the surplus at the end of each year in the parking utility fund can be used as a revenue in the current fund for the following year. The increase in local non-tax revenue can take the place of tax revenue thereby giving the governing body the opportunity to lower the municipal tax rate.

The Challenge of Future Debt Service Payments

It is unusual for a budget review team to find one issue that has such a tremendous impact on the cost of government that its magnitude practically dwarfs all other issues. Such is the case in Morristown. That one issue is the burden generated by the debt service obligations of the town. This dilemma of has been found in other older and fully-developed municipalities, but not to the extent found in Morristown.

In 1987 approximately \$25,433,121 of existing debt was refinanced, presumably to lower the annual burden on the taxpayers. The 1994 Annual Financial Statement shows another \$22,000,000 in refunding bonds authorized in 1994. The fact that debt has been refinanced would suggest there is an appreciation of the need to take advantage of reductions in interest rates and to minimize the annual payments to be made. Given the fact that much of the existing debt has already been refinanced Morristown’s options to reduce the pressure on the tax rate resulting from debt service payments are somewhat limited. Nevertheless, **it is recommended (# 7) that Morristown consider one or more of the following:**

A. Aggressively pursue a tenant to occupy the excess capacity in the new Town Hall. The revenue can be used to stabilize the impact of increasing debt service payments.

B. Anticipate the use of additional surplus resulting from the sale of excess municipal property to mitigate the impact of the increasing debt service payments. The proceeds from the sale of property are not typical operating revenues. As such, it

would be prudent to limit their use, yet still permit them to be used to the direct benefit of the taxpayer.

C. Pursue additional customers for the sewage treatment plant. The sewage treatment plant is operating at approximately 40 percent of its permitted capacity. Higher building occupancy rates in downtown Morristown as well as renovation of existing structures will not materially affect the total flow or the resulting revenues. Installing and maintaining lift stations and force main lines in order to serve another municipality, could be less costly than the benefit achieved through income derived from additional sewage inflow. In spite of the very high debt service costs, the cost of sewage treatment in Morristown appears to be considerably lower than the cost being paid in nearby communities.

If Morristown is able to obtain one or more contract customers, the incremental increase in the cost of operating the plant resulting from additional flow should be minimal. This will permit the town to have more money available to offset the cost of the annual debt service payments.

D. If not already done, evaluate the feasibility of refinancing or defeasing the debt associated with the expansion of the sewage treatment plant. NJSA 40A:2-22 recognizes the life of a sewage treatment plant to be forty years and therefore permits agencies to utilize forty-year debt service schedules. The attractiveness of the existing low interest rate bond and the zero interest loan is offset somewhat by the fact that the debt must be paid off in twenty years.

Given the current pressure on the municipal tax rate and the reasonably attractive market rates for long-term municipal debt, it may be in the best interest of the town to exchange lower annual payments for a longer schedule of payments even though it will mean an increase in interest costs. If this done **it is recommended (# 7.a) that a call feature be included in the bonds** to permit accelerated payments if possible.

For every \$123,560 generated in revenue the administration and council will have the opportunity to lower the tax rate one cent. Given the opportunity to lease space in the new Town Hall and to increase the flow into the sewage treatment plant by providing contract services to another municipality, it may be possible for \$500,000 in new revenues to be found, which would produce a four cent reduction in the municipal tax rate.

The Unresolved Issues Surrounding the George Washington School

The ramifications of the fact that the former George Washington School building has been sitting vacant for some time go far beyond the matter of unused, tax exempt space. The

building has become a symbol of frustration and resentment in the community. It is, to a certain extent, a standing testimony to the problem crudely described as “turf management” between various agencies and interest groups within the community. The real problems created by the presence of asbestos in the school and the reversionary terms of the gift of land upon which a portion of the school is built are overshadowed by the attitudes and perceptions that now exist.

Until the facility and the land upon which it is built become the complete and unrestricted responsibility of one governmental agency, it is unlikely that a realistic plan of action can be developed to renovate or dispose of the facility. To that end, **it is recommended (# 8) that Morristown transfer title to the land held by the town to the Morris School District.** This may require some preliminary work to resolve limitations resulting from the terms under which this land was given to the town. The difficulties associated with removing the asbestos, identifying the highest and best use for the property or selling it warrant the removal of all limitations and restrictions that are inhibiting resolution of this issue.

Transferring clear title to the property will put one governmental agency in charge of resolving the remaining issues. The site has been a school for many years. The school district has had and should continue to have primary responsibility for the site and the remaining unresolved issues. At this point it would be in the best interest of the taxpayers to forego any immediate income from the sale of the property to the Morris School District in order to facilitate resolution of the remaining issues.

Given the existing asbestos problems, it appears to be unreasonable for the town to project significant income from the sale of the property in its present condition. Nevertheless, **it is recommended (# 9) that the town stipulate that it share in any profit if the site is ultimately sold,** as part of the terms and conditions for the transfer of title.

It may be the best interest of the school district and the taxpayers to sell the property “as is” at a significantly reduced price in exchange for having the new owner accept full responsibility for the cost and liability associated with the asbestos removal. This type of transaction has been successfully completed in Manville, New Jersey. In addition to relieving that community of the cost of removing asbestos from a public building the transaction led to placing the properties put back on the tax rolls.

The Adequacy of Certain Collective Bargaining Provisions

There are five collective bargaining units covering most of the employees of Morristown. Two units cover patrol officers and senior police officers. Two other groups cover fire fighters and their senior officers. The fifth collective bargaining unit covers most other

municipal employees. Under the statutes of the State of New Jersey and the regulations of the Public Employee Relations Commission it is illegal for one collective bargaining contract to be interrelated or dependent upon the contents of another agreement. These regulations do not prevent a governing body from establishing guidelines and objectives for the benefit of all employees as well as the taxpayers.

Specifically, **it is recommended (# 10) that the governing body adopt the goal of establishing an hour rather than a day or a work shift as the basis for allocating and computing all compensable time.** The standard work day for fire fighters, police officers and municipal employees is different. As such, the only common denominator is an hour.

Second, **it is recommended (# 11) that the governing body work to establish a consistent schedule for earning vacation among all union employees.** The schedule in the contract governing the municipal employees should be considered as the model or target.

Third, **it is recommended (# 12) that the governing body work to eliminate longevity pay based upon a percent of the employee's base salary.** If an employee is to be rewarded for remaining with the organization for an extended period of time then there should be no difference between individuals. The position held, level of education, or other factors affecting the base pay earned by an employee should have no bearing whatsoever on longevity, if it is to be paid at all. Eliminating the percentage basis for longevity will also eliminate the hidden or secondary raise an employee receives every time their base pay is adjusted.

Fourth, **it is recommended (# 13) that the governing body work to eliminate the duplication in education pay that now exists.** Under the present arrangements the town will reimburse an employee \$7.50 per credit earned up to a maximum of \$900. The town also increases their base salary in recognition of having earned a degree. **It is recommended (# 13.a) that the adjustments to the base pay scale be eliminated in favor of a one time lump sum payment upon completion of a degree.** The rewards of having earned a degree will be apparent to the employee as they advance through their career. There is no need to pay them an additional amount every year after having underwritten a portion of the cost of education.

In addition, the value of the formal education should be reviewed to determine its relevance to the municipality. If a degree is necessary for the position then consideration should be given to revising the job description and base qualifications for all future hirings.

Fifth, **it is recommended (# 14) that the provision permitting senior officers to combine their holiday pay with their base pay during the later years of their employment be eliminated.** It is questionable whether this type of provision is permissible under the regulations of the Police and Fire Retirement System (PFRS.) The intent of this type of provision is to enhance the retirement income of an employee. This also raises the town's cost of its annual payment to the PFRS pension fund.

REVENUE AND BUDGET RECOMMENDATIONS

Tax and Sewer Billing Procedures

A total of 3.5 full-time positions are dedicated to the distribution of tax and sewer bills and collection of the resulting revenues. The office maintains approximately 4,100 tax accounts and about 6,500 sewer utility accounts. Sewer bills are computed based upon the amount of water consumed. The ratio of accounts to full-time positions is comparable to the benchmark of one full time position for every 3,000 accounts that has been found in other well-run tax and sewer collection offices.

Tax bills are sent out once a year. Sewer bills are generated quarterly after receiving the water consumption data from the water utility authority. Delinquent notices are sent out three weeks after the due date. In order to diminish the unusual swings in the workload in this office, **it is recommended (# 15) that quarterly billing of one third of the sewer accounts occur each month.** After the initial transition period, the town's cash flow would be more constant. The change in billing procedure should not have any affect on the total annual revenue nor should it adversely affect the special work associated with preparation for the annual sale of tax and utility liens.

The Tax Collection Rate and Budget Projections

The tax collection rate from 1990 through 1995 averaged approximately 94.74 percent. This is slightly below the statewide average and considerably below the average collection rate in most other Morris County municipalities. The lower collection rate may be due to the abundance of business properties in town as well as the relatively wide range of incomes which can affect the residents' ability to pay taxes on time.

In the preparation of its annual budget Morristown has consistently used the collection rate of the preceding year as the projected collection rate for the upcoming year. This strategy is optimal for the taxpayer when the projected collection rate is achieved but it can lead to significant financial challenges when tax collections are over-estimated. To the extent that it can do so without raising the municipal tax rate, **it is recommended (# 16) that a more conservative collection rate be used.** This rate should be less than the actual collection rate of the preceding year. We believe that span between the projected and prior year collection rate should not exceed one percent.

The Collection of Delinquent Taxes and Foreclosures

The review team found that collection of delinquent taxes was very low. The 1995 Annual Financial Statement (AFS) shows that the percentage of cash collections to the adjusted outstanding balance was 48.62 percent. The net reduction in delinquent taxes

during the year was only \$21,731. In effect, for every dollar in back taxes that was collected another dollar became delinquent.

The 1995 Annual Financial Statement also listed the December 31, 1994 balance for delinquent taxes and tax title liens as \$1,945,949.74. There is another \$658,892 owed in delinquent sewer bills. The magnitude of this issue becomes apparent when the value of the total amount delinquent is compared to the revenue generated by one cent of the municipal tax rate. Based upon a net valuation taxable of \$1,235,581,853 the total delinquent taxes are roughly equal to 21 cents of the municipal tax rate. Obviously not all of this can be collected in one year.

It would be appropriate for the council to take an active role in helping to accelerate the collection of delinquent taxes. Telephone calls, letters or even personal visits to delinquent taxpayers by elected officials has been found to be an effective. To eliminate any suggestion or perception of impropriety, **it is recommended (# 17) that delinquent taxpayers be contacted in sequence as assigned by the tax collector beginning with the largest amount owed.**

If the percentage of cash collections to the amount outstanding can be increased by 20 percent the municipality would receive approximately \$404,522 more than they are currently permitted to budget.

In addition to a campaign to eliminate as many delinquent accounts as possible by contacting the property owners, **it is recommended that (#18) after the annual public tax lien sale a concerted effort be made to eliminate any remaining liens through private sales.** If this does not prove to be totally successful, then **it is recommended (# 18.a) that consideration be given to a bulk lien sale.** Other municipalities have found this to be an effective tool to reduce the backlog of delinquent taxes.

All of the delinquencies described above are past the waiting time required prior to foreclosing on the property. The schedule of the value of foreclosed property appearing in the audit every year has not changed which indicates no foreclosures have occurred. If the campaign to resolve delinquent accounts does not resolve the growing problem of delinquent taxes then **it is recommended (# 19) that the governing body adopt a resolution directing that foreclosures be initiated on all eligible properties immediately.** Given the anticipated workload **it is further recommended (# 19.a) that the resolution contain a recommended set of general priorities for beginning the foreclosure work** such as delinquencies on parcels of vacant land, abandoned properties, properties creating a health or safety concern, etc.

In order for the foreclosure process to be completely successful it is incumbent upon the council and the administration to ensure that property obtained through foreclosure is sold as quickly as possible in order to return it to the tax roll. Starting the foreclosure process will generate payment of some delinquent accounts as property owners chose to avoid losing title to their property. Within two years the town can replace delinquent taxpayers

with timely taxpayers and improve its current year tax collection rate thereby lowering the size of the required annual reserve for uncollected taxes.

Completing the foreclosure process should also permit the assessor to establish a much more realistic “net valuation taxable” for use in budget preparations and the computation of tax rates. Foreclosing on pieces of property whose use is limited by zoning restrictions or environmental clean-up requirements permits the assessor to place these properties on the tax-exempt roll until they are resold. This is tantamount to accepting the reality that no tax revenue will be forthcoming from these parcels. Given this scenario there is no reason to compound the tax collection problem by including them in the net taxable valuation.

The Use of Unrestricted Fund Balance

During the 1990s Morristown budgeted an average of only 66.54 percent of its unrestricted fund balance as a revenue in the budget of the upcoming year. Given the need to reduce the pressure on the municipal tax rate and the need identified above to be less aggressive in projecting the current year tax collection rate **it is recommended (# 20) that Morristown increase its use of surplus as an anticipated revenue.** It would be far better to use a confirmed revenue, such as the unrestricted fund balance to balance the budget than to run the risk of over-stating the tax collection rate. If the tax collection rate exceeds the projected rate then a portion of the surplus may be restored if all other revenue projections are met.

The Projection of Annual Non-Tax Revenues

The revenue section of the annual budgets for Morristown contain an extensive list of local, non-tax revenues. When added to the tax revenues, State allocations, and non-operating revenues the town anticipated \$26,860,079 for fiscal year 1995. This was \$2,690,765 less than the amount collected in 1994. While on the surface this may have appeared to be unwise or unfair to the taxpayer, in 1992, 1993 and 1994 the actual collections fell short of the budgeted amounts.

Sheet 11 of the 1995 budget shows that in 1994 the collection of local revenues fell short of the budgeted amount by \$725,148. This figure is the net of all local revenue collections. The sum of the five budget lines with the largest shortfall was actually \$889,947. They were sewer user charges (\$525,764), collection of delinquent taxes (\$239,500), penalty and interest on delinquent taxes (\$49,334), utility surplus (\$41,349) and interest on income (\$34,000).

The review team found it most unusual that the amount of utility surplus used as a revenue was less than the amount budgeted. Under normal circumstances in order for the surplus of a utility to be budgeted as a revenue in the current fund the entire amount must

be available. The audit for 1993 showed that the parking utility fund had a balance of \$9,480 as of December 31, 1993 while the balance in the airport utility fund was \$8,072. Overall, the amount of revenue budgeted for 1995 was lowered to the amount collected in 1994. The amount collected in the preceding year is the maximum permitted to be used in the budget without the prior written permission of the Director of the Division of Local Government Services. Collections for the prior year are not, in itself, just cause to make any revenue projection. The review team found the same pattern in 1992, 1993 and 1994.

Based upon the irregularities and inconsistencies in the local, non-tax revenues, **it is recommended (# 21) that a more conservative approach be used to project all local, non-tax revenues for the annual budget.** In cases where it can be shown that collections in the upcoming year should exceed the actual collections of the prior year permission to use these higher estimates should be obtained. Similarly, in cases where the revenue of the preceding year may not be achieved, the budget projection should be lowered.

At this point it would be impossible to suggest that adoption of this recommendation would yield a lower municipal tax rate. It would be fair to suggest that developing a history of accurate projections permits the staff and governing body to become more precise over time. The more accurate and clear the budget, the better chance the staff and council have of reducing the tax rate. In addition, without reasonably accurate revenue projections there is no possibility that the town can accurately project its overall financial condition.

Annual Adjustments to Local Fees and Charges

In 1995 the Municipal Clerk offered a series of recommendations to adjust certain local fees and charges. The anticipated increase in revenue was estimated to be approximately \$12,600 per year. Most of these recommendations were adopted. **It is recommended (# 22) that the Clerk and council continue to review the schedule of fees and charges annually to ensure that the complete cost of issuing a license or permit and any related inspections are covered by the fee that is charged.** Fees derived from document and licenses issued by the Registrar of Vital Statistics and liquor licenses accounted for 86.5 percent of the revenue. Given this, it is not likely that the fees charged for other local licenses and permits are covering the costs of issuance. Exclusive of council salaries, the revenues generated through the Office of the Municipal Clerk have been equivalent to approximately 76 percent of the total expenses. Continuing progress in adjusting local permit fees could improve this ratio.

A second major category of local non-tax revenues are the fees generated by building permits. The current fee schedule does not establish a minimum charge. As such there are a number of building permits issued and a comparable number of inspections completed that are clearly not covered by the cost of the permit. **It is recommended (# 23) that**

a minimum fee of \$25 be established for all residential permits up to 1,000 square feet. For each additional 1,000 square feet an additional \$10 should be charged. Based upon the number of permits issued in 1995 this will generate approximately \$5,000 in additional revenue and reduce the number of cases in which the cost of issuing a permit is not covered by the related fee.

Local Banking Practices and Interest Income

As part of the local budget review process, the team analyzed ten bank accounts maintained by the Town for the period beginning January 1, 1994 and ending December 31, 1994. Four accounts are listed as not earning any interest, however they are part of a larger "sweep account" that was earning 3.2 percent interest.

Two other accounts earned a moderate level of interest income while two more earned no interest. The ninth account was a money market account and the tenth was a New Jersey Cash Management Fund account. The town also has an up-to-date cash management policy which called for the competitive bidding of all certificates of deposit.

Notwithstanding the existence of the sweep account and the use of the cash management fund the review team believes the town can increase its non-tax revenue through better management of the bank balances and improved banking contracts yielding higher net interest rates.

Potential Interest Income on Bank Accounts January 1, 1994 - December 31, 1994

<u>Account Name</u>	<u>Average Daily Balance</u>	<u>Net Earnings</u>	<u>Interest Rate</u>	<u>Potential Interest</u>	<u>Net Difference</u>
Self Insurance	\$ 228,731	\$ 4,623	2.2%	\$ 12,900	\$ 8,277
SUI	\$ 192,357	\$ 3,854	2.19%	\$ 10,849	\$ 6,995
Airport Capital	\$ 67,011	-0-	-0-	\$ 3,779	\$ 3,779
Current Account	\$ 46,886	-0-	-0-	\$ 2,644	\$ 2,644
* Current Fund	\$1,915,015	\$126,199	3.20%	\$108,007	<\$ 18,192>
** General Capital	\$1,235,883	-0-	-0-	\$ 69,704	\$ 69,704
** Vendor Claims	\$ 745,418	-0-	-0-	\$ 37,196	\$ 37,196
** Airport Oper.	\$ 41,514	-0-	-0-	\$ 2,341	\$ 2,341
** Police Forfeit.	\$ 7,482	-0-	-0-	\$ 422	\$ 422
TOTAL	\$4,480,297	\$134,676		\$247,842	\$113,166

* Account into which funds are swept for purpose of earning interest.

** Source of funds for sweep account.

It is recommended (# 24) that the accounts earning no interest income be restructured as interest bearing accounts and/or the sweep account be restructured to generate a better total return. As shown above, the potential gain in interest income is estimated to be \$113,166. The amount of additional interest income is nearly equal to one cent on the municipal tax rate. The annual budget projection of interest income is one of the revenue lines that is consistently over-estimated. After the interest income is increased the council and staff should ensure that the budget estimates are more realistic. In short, the actual revenues need to catch up to the estimates.

It is also recommended (# 25) that the total number of bank accounts be reduced through consolidation. This may further improve interest income as the average daily balances should be larger, and enhance the opportunity to develop a useful cash management plan thereby permitting the Town to invest more money in certificates of deposit.

Last, **it is recommended (# 26) that a complete assessment be done of the compensating balance accounts used for payroll purposes.** These accounts are not included in the table provided above. In lieu of not paying any interest income, the bank pays the fees charged for preparation of the payroll. Review teams have found that these arrangements are generally more advantageous to the bank than they are to the municipality or the taxpayer. A useful tool in completing this assessment is the “Customer Profitability Analysis” or “Customer Account Analysis” prepared by the banks for the municipal accounts they hold.

Municipal Purchasing Procedures

The purchasing procedures appeared to be somewhat disjointed while the review team was doing its field work. The preparation and execution of the move into the new Town Hall appears to have contributed to this. The team found several instances where a purchase was actually made before the purchase order was approved. Yet at the same time the review team noted that the town made good use of the county purchasing cooperative and the State purchasing contracts.

The purchasing process is decentralized for the most part. Purchase orders are prepared by a department and forwarded to the administrator for approval. There appeared to be varying levels of understanding between departments about the statutory requirements for soliciting quotations and formal bids. As a result it is possible that the statutory bid requirements could be inadvertently violated through multiple purchases of the same type of product over the course of a year. This is particularly true if the same product is purchased and utilized by multiple departments. **It is recommended (# 27) that the purchasing system be automated, preferably using a software package that is tied to the approved budget** that will automatically encumber a proposed expense, deny a purchase order if insufficient funds exist in a budget line and prepare automated checks

after approval of the payment of bills list. Such a system will help improve the internal controls significantly. It should also reduce the workload in the finance office considerably.

A by-product of an effective automated system is the creation of a data bank that can be used to compile and analyze purchasing patterns. One drawback to existing decentralized purchasing procedures is the possibility that the buying power of the town is not being used to the fullest extent possible. In 1994 Morristown spent approximately \$3,895,732 on the purchase of goods and services. This total excludes the cost of personnel benefits, other forms of insurance, pensions, deferred charges and dedicated allocations to organizations such as the joint Morristown-Morris Township library. If better use of the town's buying power resulted in a three percent reduction, the annual savings would be approximately \$116,870 which is almost one cent on the municipal tax rate.

SUPPORT SERVICE RECOMMENDATIONS

The Computerization of the Municipal Code

The Office of the Municipal Clerk undertook the arduous task of putting the Town's Code Book on computer. Once this project is completed every department will be able to access the data bank, thereby relieving the Clerk's staff of the most of the workload associated with inquiries from the staff. Maintaining and updating the computerized municipal code will present a new challenge to the Office of the Clerk. **It is recommended (# 28) that the Clerk obtain quotes from firms that specialize in the maintenance of municipal codes for the cost of keeping it updated.** The value of the significant savings achieved by completing this project in-house will be lost over the next year or two if the municipal code is not kept up-to-date.

Over the last two years the size of the staff in the Office of Clerk has been reduced by two full time positions. Once the code computerization project is completed, and the Municipal Clerk has adjusted the staff assignments and responsibilities accordingly, it would not appear that any additional positions would be needed, particularly if maintenance of the municipal code is contracted.

Risk Management and Insurance Contracts

Overall the town has a relatively small number of workers compensation claims and even fewer claims resulting in large medical bills or large payments to the injured employee. This does not appear to have been the result of a strong safety program. To ensure the continued well being of the employees and to minimize future costs associated with injuries **it is recommended (# 29) that Morristown:**

A. **Establish a formal, on-going safety program** directed by a designated township safety officer. It is not uncommon to find that the task of managing the safety program for a municipality is a collateral duty of a senior police officer.

B. **Eliminate the current practice of automatically paying full wages to an injured employee.** Such payments should only be made when the Safety Officer has made a specific finding based upon an investigation of the incident that the employee was injured in the line of duty and that the employee was not at fault, i.e. all safety procedures were followed and all safety equipment was worn, etc. If an employee is partially or wholly at fault then there must be a question as to why the township should continue to supplement the workers compensation payments received by the employee.

C. In cases where it has been determined that the employee was injured in the line of duty and was not at fault, **require the formal approval of the council to make wage**

continuation payments for a specified period of time. Under the existing system there is no financial incentive for an employee to return to work.

D. Hold all supervisors directly accountable for the well being and safety of their personnel. Permitting an employee to follow unsafe practices is just as serious, if not more serious than the injury that occurs to the employee.

It should be noted that a similar recommendation was made in the report submitted to Morris Township. **It is further recommended (# 30) that the two municipalities coordinate and/or consolidate their safety training programs.**

In 1995 Morristown competitively bid all insurance contracts except personnel benefits and the self-insured workers compensation fund. As a result, in 1996 the cost of insurance declined approximately \$57,000 in spite of the addition of the new Town Hall to the inventory of insured properties. **It is recommended (# 31) that Morristown formalize this procedure by requiring that insurance contracts be bid at least every third year, or sooner if appropriate.**

The Organization and Staffing of the Land Use, Planning and Inspection Functions

Morristown conducts construction, zoning, housing and sanitary inspections using its own staff. The town also maintains an in-house planning staff and has one position dedicated to addressing compliance with the rent leveling regulations. Overall there are thirteen full-time and three part-time positions. Four of the full-time positions are clerical or support positions. Two part-time positions are planners and one is an electrical inspector. The land use division also retains a consultant. Elevator inspections are contracted to a private firm and the State of New Jersey is currently doing all of the fire subcode inspections.

The functions completed by the Morristown staff are located in three different departments that are supervised by the Town Engineer, the Director of Human Services and the Construction Official. The segmented organizational structure probably contributes to the complexity alluded to in an earlier section of this report. **It is recommended (# 32) that all land use, permitting and inspection functions be consolidated into one department. It is also recommended (# 33) that the engineering function be included in this department** which is more fully discussed below.

Placing all inspectors in one consolidated unit should facilitate communication and coordination between staff members, enhance the opportunity for cross-training particularly as it relates to local codes and regulations, and establish one location or focal point for individuals seeking a permit or requesting that an inspection be completed. It should also greatly enhance the likelihood that any recommendations intended to simplify permitting procedures can be implemented.

Consolidation of the inspection and permitting functions would also enable Morristown to establish a better ratio of support positions to inspectors. Using the benchmark of one clerical or support position to six inspectors and one clerical position per department head, at least one position could be eliminated. The estimated annual savings in salaries, wages and benefits would be approximately \$38,000 per year.

In addition **it is also recommended (# 34) that consideration be given to eliminating the two part-time planning positions in lieu of completing all of the related work through the execution of professional service agreements.** Under existing Internal Revenue Service and Department of Labor regulations as well as the rules of the Public Employee Retirement System it does not appear possible for the same individual to be compensated as an employee for part-time work and to be paid a fee for service through a professional service agreement for other work. In addition, it does not appear that either part time position qualifies for health benefits under the rules adopted by the New Jersey State Health Benefits Commission. Eliminating the cost of benefits would save the taxpayers approximately \$14,800 per year.

Implementing this recommendation may also put Morristown in an easier position to facilitate the formation of a regional planning commission. **It is recommended (# 35) that as the designated regional center Morristown actively pursue the consolidation of the Morris Township, Morris Plains and Morristown Planning Boards into one regional body.** The unique characteristics of each land use ordinance can be incorporated into a consolidated land use ordinance.

The interaction and relationships between these communities is similar to that which exists between Princeton Borough and Princeton Township. The historical concerns and considerations that are a factor in some Morristown planning and zoning issues are analogous to the historical concerns in Princeton. The Princeton Regional Planning Board has operated successfully for many years. An added benefit would be that the new regional planning area would match the service area of the high school of the Morris School District.

A major task of the planning staff has been to update the town's affordable housing plan. As part of this overall plan, **it is recommended (# 36) that consideration be given to pursuing funding from another community to pay for the renovation of affordable housing in Morristown.** For example, the Borough of Keansburg is receiving \$6,000,000 from the Borough of Holmdel for this purpose. Selecting the homes for renovation, preparing the bid specs and monitoring the construction work is done by a private firm contracted by the Borough of Keansburg.

The Staffing of the Engineering Function

Morristown maintains a mixed system of retaining engineering personnel on staff while at the same time retaining other engineering professionals as needed under the auspices of professional service agreements. The staff consists of the Municipal Engineer, two engineering aides, and two positions created for the purpose of overseeing the expansion of the sewage treatment plant and the renovation of the new Town Hall.

If the Municipal Engineer is to function as a Staff Engineer to oversee and evaluate contracted engineering work while providing direction and oversight to the proposed department of permitting, land use, and inspections then the need for the engineering support staff must be questioned. **It is recommended (# 37) that both of the engineering aide positions be eliminated.** The annual savings would be approximately \$95,000.

It is also recommended (# 38) that the two special positions established to oversee the sewage treatment plant and Town Hall projects be eliminated. Since these projects have been completed the positions are no longer needed. The annual savings in wages and payroll taxes would be approximately \$118,722.

PUBLIC SAFETY RECOMMENDATIONS

MUNICIPAL COURT OPERATIONS

The Local Government Budget Review Program recognizes the separate authority and responsibility of the judicial branch of government. The comments and recommendations offered below are made in an effort to provide the governing body and the taxpayers with information on current and potential procedures of the municipal court. All recommendations are made with the knowledge that further review and approval will be required by the appropriate judiciary personnel.

The Morristown Municipal Court disposed of approximately 23,325 cases during 1995. During that year the court spent approximately \$368,015 or about \$15.75 per case disposed. The court operates about 38 hours per month and has one of the best docket scheduling procedures found by a local government review team, yet it is still adding about two percent more cases per month than it is clearing.

The review team found that the bail account was up-to-date and that transfers are made to the municipality's general fund on a regular basis. Review teams have found this to be a major problem in other municipal courts. The team noted that six bank accounts existed; however, the staff had already determined that the number of accounts could be reduced to two.

The court had been using a part-time position limited to four hours per month to complete bank reconciliations. There is some benefit to having a third party complete bank reconciliations as part of an internal control program. This apparently has not met with the approval of the Administrative Office of the Courts. **It is recommended (# 39) that consideration be given to asking the municipal finance office to train and assist in the completion of the bank statement reconciliations.** The finance office ought to be able to accommodate this task readily, particularly if the number of bank accounts is reduced to two.

Apparently the court has been the subject of some question or criticism regarding the amount of revenue generated each year. It is important to note that revenue generation is not the primary function of a municipal court nor does it have any control over the number and type of cases it must adjudicate. For example, the total case load in the Parsippany-Troy Hills court is similar to the caseload of the Morristown court yet 86 percent of the Parsippany-Troy Hills cases are moving violations. In Morristown 16 percent of the cases are moving violations. The review team did compare the list of standard fines assessed to those who chose not to contest a ticket or complaint. While not identical, they were comparable to other courts in the area. To ensure this continues, **it is recommended (# 40) the schedule of fines and fees be reviewed annually** by the court administrator and presiding judge(s). Based upon the pattern of activity occurring during the prior year, the

court may chose to recommend the municipal ordinance be modified to increase the fees or add offenses to the schedule of pre-determined fines and fees.

The review team noted one specific item deserving attention. Parking generated approximately 78 percent of the court activity during the period studied by the review team. The overtime parking fee is \$8 which is low when compared to other towns. **It is recommended (# 41) that the local penalty for overtime parking be increased to \$12.50.** After the State charge of \$2.50 is added the total fee would be \$15. Based on the number of parking tickets issued in 1995 implementation of this recommendation would generate approximately \$83,310 in new municipal revenue. This increase should have no adverse impact on the business community. There are communities in New Jersey, such as Cranford, that have very high penalties, i.e., \$25 per violation, for parking meter infractions to ensure people have access to the merchants in the downtown area.

FIRE SAFETY SERVICES

The work schedule of the full-time fire fighters has been changed from five work days lasting eight hours followed by two days off to a one 24-hour shift followed by three days off. When the schedule change was implemented the modifications that were made in vacation and sick leave allocations and charges against an employee's record were not consistent. The extent to which this was a direct result of the negotiating process or an inadvertent by-product was not determined.

In the case of sick leave each employee is allocated 15 work days per year. Under the old system this was equal to 120 work hours. Under the new system 15 work days would be equal to 360 hours. When a firefighter is absent for one full work day the employee's record is debited for two days or 16 hours of sick leave even though the employee missed 24 hours of work. The net result is that the sick leave available to a fire fighter during a year increased by 50 percent.

In the case of vacation the number of days earned per year was cut in half when the change in scheduling occurred. For example, under the old system an employee with four years of service earned 12 working days or 96 hours of vacation per year. Under the new system an employee earns six working days or 144 hours of vacation per year. The net result is that the vacation allocation for each fire fighter increased by 50 percent. To have kept the vacation allocation the same the original number of days should have been reduced by 66 percent rather than 50 percent.

Since vacation time is mandatorily compensible the increased annual allocation had the effect of giving each fire fighter an additional pay raise ranging from 1.9 percent to 3.5 percent. The larger increases went to the senior personnel. Using the 1996 salary schedule the value of this additional vacation time is at least \$45,475 per year. Based upon a 3% growth rate, which is conservative given the compounding effects of longevity pay and salary adjustments, the value of this additional time will increase to at least \$61,100 in ten

years. This calculation does not take into consideration the fact that the vacation allocation for 17 members of the staff will increase in accordance with the provisions of their negotiated contract.

Had the salaries of the Morristown fire fighters been low the value of questioning the increases outlined above may have been minimal. This is simply not the case, particularly given the 24 hours on - 72 hours off schedule. The wages being paid are comparable to departments in some major urban areas where the number of fire calls is substantially greater and the basic schedule is 24 hours on duty followed by only 48 hours off duty. It is also important to point out that as a result of the combination of step increases and annual wage adjustments a fire fighter hired in January, 1994 would receive a salary increase of 17.1 percent within 18 months. This increase is three times greater than the increase in the Consumer Price Index for the same period.

It is recommended (# 42) that Morristown pursue the following:

A. As suggested in recommendation # 10, **change the current system of using a day as the basis for allocating and recording compensable time-off to a system based upon hours.** This change should be made for all employees of Morristown. Using hours as a common denominator, particularly when the standard work day varies between departments, will allow for greater continuity and consistency when calculating compensation or authorized time-off.

B. **Restore the original amounts of vacation and sick leave allocated to the firefighters each year.** The very nature of a 24 hours on - 72 hours off system enables a fire fighter to be away from the work site for up to seven days while missing only one shift of work.

Staffing of the Morristown Fire Department

The staff consists of one Fire Chief, one Deputy Chief, four captains serving as shift commanders and 29 fire fighters. Three shifts operate with six fire fighters each while one shift has only five fire fighters. Given the small size of the department there does not appear to be a true need for a full-time Deputy Fire Chief. In the absence of the Chief the shift commander on duty can act as the Fire Chief to include retaining control at the site of a response as the incident commander. During extended periods of vacation or illness the Senior Captain can assume the duties of Chief as needed. **It is recommended (# 43) that the position of Deputy Chief be eliminated** when it becomes vacant through retirement, resignation or reassignment. **It is further recommended (# 43.a) that when the Deputy Fire Chief position is eliminated that one additional fire fighter position be created.** This will permit each shift to have six fire fighters. Given the current salaries, the net savings to the taxpayer will be approximately \$15,000 per year.

The Role of Fire Fighters as First Responders

In Morris Township nearly every fire fighter is trained as a first responder. This has proven to be successful. The utilization of personnel who are on duty as first responders can only improve the town's ability to respond to those in need. There is no negative impact or down side to such a strategy. It has successfully served as a supplement to the volunteer services without eroding their role. **It is recommended (# 44) that all Morristown fire fighters be trained as first responders in support of the volunteer emergency medical assistance services provided in the town.** The reality is that the citizen in need of emergency service is not concerned whether the first trained person to arrive is a member of the fire department or the emergency medical service.

In order to properly focus the training of the new first responders **it is further recommended (# 44.a) that joint standard operating procedures be established with the existing non-profit ambulance service.** Other towns making this change have established primary timer periods for use of the fire department first responders, types of calls to which they will respond, etc., to ensure optimal cooperation.

Mutual Response Zones

Just as the person in need of medical assistance is not concerned about the origin or affiliation of the first responder, citizens are generally not concerned whether the first fire truck on the scene is from Morristown or Morris Township. Given the interlocking nature of some neighborhoods along the common border there are circumstances where a vehicle must travel through Morris Township to get to a Morristown site and vice versa. In addition, the traffic congestion that occurs in Morristown has the potential of slowing the movement of emergency response vehicles. Accordingly, **it would be beneficial (# 45) to establish mutual response zones along the common border of Morristown and Morris Township.** This may turn out to be nothing more than formalizing an existing arrangement since both departments cooperate and support each other. The initial objective of every fire department is the best response time possible. Creation of mutual response zones would help to achieve this.

The Completion of Fire Safety Inspections

While not automatically a component or responsibility of a municipal fire department, the need to conduct timely life hazard inspections in the required buildings is closely associated with both fire prevention and developing data regarding the contents and layout of buildings.

It was reported that the town may be interested in re-establishing local responsibility for properly completing all life hazard inspections on a timely basis. Accordingly, **it is**

recommended (# 46) that Morristown pursue an inter-local agreement with Morris Township to have personnel already trained and employed by Morris Township complete the inspections for Morristown.

Volunteer Recruitment

In addition to the paid fire staff Morristown has approximately 30 active volunteer fire fighters. There are an additional 160 individuals who are not currently active. The volunteer fire units have a long history in the town. They remain an integral part of the fire response services. **It is recommended (# 47) that Morristown adopt a incentive program to recruit new volunteers and entice inactive volunteers to return to an active status.** Morris Township has chosen to provide free pool passes to their active volunteer fire fighters. The cost of this incentive is incidental when compared to the value of the service provided by the volunteers.

POLICE SERVICES

Common Patrol Sectors

As discussed in the fire services section of this report, the fact that Morristown's only border is with Morris Township creates some unusual situations. There are locations where it is easier to approach a Morristown home or business from Morris Township. The reverse situation also exists. **It is recommended (# 48) that permanent overlapping "patrol and mutual response zones" be established,** particularly in those areas where the fastest access route is from the other municipality.

Controlling Police Overtime

In 1995 approximately \$283,946 was spent on overtime by the police department. There are shifts when the absence of one patrol officer due to vacation or sick leave will automatically generate overtime. The overtime is generated by bringing in a replacement officer to work. **It is recommended (# 49) that the minimum on-duty staffing levels and resulting overtime requirements be reviewed.**

Most of the time the ability to effectively patrol a three square mile town should not be seriously hampered if one patrol officer was absent, particularly when additional police personnel assigned to other divisions are on duty. Implementation of the recommendation calling for mutual response zones with Morris Township should also ease some of the pressure to incur overtime expenses.

In the unusual situations when there are a number of calls occurring at once or there is one call requiring the presence of multiple officers, then personnel assigned to other divisions in the Morristown Police Department can be utilized as needed. The back-up and support of uniformed road personnel does not always have to be done by other uniformed personnel assigned to patrol.

The overtime expenses in 1995 were equivalent to approximately 2.29 cents of the municipal tax rate. If overtime expenditures can be reduced by 25 percent through reassessment of the staffing and overtime policies then the savings to the taxpayer would be approximately \$70,985. Because of the irregular nature of most of the overtime expense the review team does not think that hiring additional uniformed personnel will significantly reduce overtime over an extended period of time.

Substitute Dispatchers

The Morristown police dispatchers are a combination of civilian personnel and special police officers. When a dispatcher is absent it is common practice to utilize police officers to cover the shift. This may in turn generate overtime if another officer is called into work. The best use of police personnel is the police work for which they have been trained and for which they are compensated. **It is recommended (# 50) that the management of the police department identify a pool of trained dispatchers that can be called and asked to work as a substitute.** The most common sources of substitute dispatchers are retired personnel and dispatchers from surrounding towns who may want to work on their day off. The difference in the hourly wage of civilian dispatchers working the area and a Morristown patrol officer is approximately \$17.25. If the police officer was earning overtime the difference grows to at least \$30.68 per hour.

Based on three eight-hour shifts per day there are at least 1,095 dispatching shifts per year if only one dispatcher is on duty. If 10 percent of these shifts have to be covered due to sick leave, vacation or in-service training of a dispatcher and police officers are used the additional unnecessary expense is approximately \$16,850 for wages and payroll taxes. If overtime must be paid to an officer as a result of the need to replace the dispatcher the unnecessary expense is approximately \$29,968.

Backlog of Reports and Reporting Requirements

During the interviews with members of the police force it was reported there is a considerable backlog of reports and interview transcripts waiting to be typed. It was also reported that the municipal court was requiring complete reports on complaints filed by citizens. In order to effectively address this backlog and to prevent it from occurring again, **it is recommended (# 51) that:**

A. **The need to have every backlogged report or transcript typed should be reviewed.** It may be possible to utilize some of the reports in their hand written form or it may be possible that some reports are no longer needed because a case has been closed or a different course of action has been taken.

B. **The Department's policies and procedures leading to the generation of reports should be reviewed.** It should be possible to simplify the reporting requirements without reducing the quality of the overall police work.

C. **The Chief of Police or other appropriate senior staff member meet with the Court Administrator and Presiding Judge to review the need for the reports being required by the municipal court.** Here again there should be an opportunity to simplify or eliminate some of them without affecting the court's ability to adjudicate a case.

D. After reducing the backlog as much as possible through elimination of reports that no longer need to be typed the Department can **contract with a firm providing temporary personnel to eliminate the remaining backlog.** If an average of four reports or transcripts can be completed in an hour and the contracted cost averaged \$20 per hour per position then 1,000 reports or transcripts can be prepared for \$5,000.

E. **Eliminate the redundancy of initially writing a report by hand and then having it typed.** This may require the purchase and installation of computer work stations and/or a limited number of laptop units to be used in the field. The cost of purchasing the computer equipment must be weighed against the benefit of eliminating the backlog of reports. The impact on the officers' time will be minimal in that they must now write the reports by hand.

Workers Compensation Settlements and Disability Retirements

It was stated in an earlier section of this report that Morristown has been fortunate in that the number of injuries to workers has been relatively small compared with other towns of similar size, the medical claims are once again under control and, the number and amount of settlements for injuries have not been excessively large.

During the interviews with police personnel the review team learned that several of the major workers compensation settlements have been the result of injuries to police officers. **It is recommended (# 52) that the administration and council make proper use of the provisions of the Police and Fire Retirement System to initiate disability retirements** for all officers no longer capable of fulfilling all of the physical requirements of police work.

If officers are no longer capable of doing the job it is in their best interest to voluntarily retire or be involuntarily retired thereby permitting them to move into another line of work

before additional disabling injuries occur. The adverse affects of additional injuries are not good for the employee or the municipality.

The Advantage of Bilingual Capabilities

The Police Department currently relies on external resources such as an officer in the Morris Township Police Department when there is a need to speak or translate Spanish. This does not appear to have adversely affected the Police Department or the Spanish speaking individuals involved in the incident. During a tense or confrontational situation speaking to an individual in their native tongue can facilitate an amicable resolution of the incident. Given the Department's renewed efforts to improve communication and to have a positive presence in the community, **it is recommended (# 53) that future recruiting efforts focus on the hiring of one or more individuals fluent in Spanish.**

The Outside Police Account

When police officers work off-duty assignments such as controlling the flow of traffic around a road construction site, the town bills the contractor a fixed amount per hour including an administrative charge for scheduling the officer, invoicing the contractor and paying the officer. Revenues received from these invoices are placed in a special or dedicated fund.

Maintaining a small fund balance is necessary to ensure a satisfactory cash flow. The audits shows that the year-end fund balance has grown steadily which would suggest that the town's portion of the collected revenues has not been transferred to the Current Fund. **It is recommended (# 54) that all funds in excess of the annual average of two months activity automatically be transferred to the unrestricted fund balance of the township.** Implementation of the proposed recommendation would increase the unrestricted fund balance by approximately \$32,238.

PUBLIC WORKS AND TRANSPORTATION RECOMMENDATIONS

TRANSPORTATION

Colonial Coach Bus Services

In November, 1973 the voters in Morristown approved a ballot question calling for the creation of a local bus system. In November, 1974 the voters of Morris Township approved a similar question that appeared on their ballot. The original joint agreement between the two municipalities noted that “the public welfare is being adversely affected by the widespread use of private automobiles, which use aggravates the current energy crisis, contributes to the pollution of the environment, and increases traffic congestion.”

Ridership data contained in correspondence from October 1975 indicated there were over 1,200 passengers per week at that time. In 1975 the bus service was provided on the weekdays only. A February, 1996 surveyed showed the average ridership to be down to approximately 850 passengers per week even though the service had been expanded to six days per week in the late 1970s. Based upon this information the ridership has dropped by nearly about 40 percent per day from 240 to 141.

In addition to the volume of riders served, it appears that the primary client group or focus of the bus service has changed from general mass transit to transportation primarily for senior citizens. Approximately 75 percent of the ridership surveyed in February 1996 were senior citizens.

In 1995 one of the two buses was inoperable due to major maintenance problems for extended periods of time. There was no indication that this disruption of service created a major hardship or significant inconvenience. This was not incompatible with past staff recommendations contained in correspondence suggesting that one bus could be eliminated with the remaining bus traveling a revised route without imposing any undue difficulties on the ridership.

Given the fact that the volume of riders is down from previous years and alternate transportation programs are available for senior citizens through the division on aging, **it is recommended (# 55) that the Colonial Coach Service be reduced to one bus operating five days per week.** In 1996 Morris Township applied for a Community Development Block Grant application, which was endorsed by Morristown, for one-third of the cost of a new bus. The grant application stated the annual operating cost of the existing bus service was \$122,990. Implementation of this recommendation would reduce the annual operating cost by approximately \$49,679 per year. Given the purchase of a new bus the annual savings should be greater for two to three years since the cost of repairs parts should be much lower. The reduction in costs would be shared by Morris Township and Morristown in accordance with the existing cooperative agreement. **It is**

also recommended (# 56) that Morris Township and Morristown cooperate in actively soliciting grant funds available through New Jersey Transit to support the costs of services oriented to transporting senior citizens.

Overall, these recommendations are indicative of the need to adjust the level of service to the current level of demand and type of service to the current clientele. This sort of market share review and adjustment should be made on a regular basis.

Division on Aging Transportation Services

The Division on Aging provides highly individualized transportation services for seniors needing assistance getting to the grocery store or to medical appointments. Overall 20 to 30 seniors going to a medical appointment are accommodated each week. **It is recommended (# 57) that consideration be given to requesting a nominal donation to offset a portion of the costs associated with this specialized service.** This would be consistent with the special services provided through the meal on wheels program where a small fee is collected. Not all of those who make use of this service may be in need of having the cost of their transportation subsidized by the taxpayer.

PUBLIC WORKS

Vehicle Maintenance

The mechanics in the Public Works Department maintain approximately 96 vehicles. Approximately 30 of these are police vehicles, 11 belong to the fire department and the remaining 55 pieces of rolling stock belong to either the public works or administrative departments of the town. In 1994 the town had three mechanics on staff. The average maintenance cost was \$3,031 per vehicle. This is among the lowest maintenance cost per vehicle found by a local budget review team. This is remarkable given the condition of congestion at the public works site.

The reports provided to the Borough of Morris Plains and to Morris Township contain a recommendation calling for the creation of a consolidated fleet maintenance shop or jointly contracted maintenance provided by either Morris County or a private corporation. We believe that this will create economies of scale and other efficiencies that will reduce the cost of fleet maintenance while developing more thorough records on the specific costs per vehicle. Morristown would have the added benefit of being able to remove all of the vehicle maintenance work from the public works site, thereby alleviating at least some of the overcrowding. Accordingly, **it is recommended (# 58) that Morristown join with Morris Township and Morris Plains in a joint effort to consolidate all vehicle maintenance into one operation.** The fact that the new location for vehicle maintenance

would, in all likelihood, be outside Morristown should not detract from either the importance or the value of the revamped service.

If the cost of vehicle maintenance was lowered by 10 percent the savings to the taxpayers of Morristown would be approximately \$29,105. This reduction would bring the average cost of vehicle maintenance in line with industry standards as indicated by the prices bid by companies seeking to do contract maintenance work.

Refuse Collection and Recycling

In 1993 the Business Administrator submitted a nomination to the National Center for Public Productivity recognizing the improvements that had been made in the town's solid waste and recycling collection services. The nomination stated that the changes in collection procedures saved the taxpayers approximately \$115,000 per year. Notwithstanding these improvements, the Local Government Budget Review Team believes that additional changes can be made that will reduce the burden on the taxpayer even further.

The current route structure and schedule for refuse collection automatically generates approximately six hours of overtime for every employee who works on Saturday. Based on a crew of six workers for three trucks the overtime is approximately 1,872 hours per year or approximately \$53,240 in additional wages and payroll taxes.

At the same time, the average time needed to complete the weekday routes, empty the trucks and return to the public works site is less than six hours. Based upon the tipping reports it is unusual for the trucks to reach their maximum capacity prior to completing their route. Accordingly, **it is recommended (# 59) that Morristown revise its refuse collection routes to make optimal use of the work day and the capacity of the refuse collection trucks**, thereby eliminating the automatic overtime occurring on Saturday. We believe the routes can be revised to collect refuse twice a week, i.e., Monday/Thursday and Tuesday/Friday, while still having a day dedicated to vehicle maintenance and special projects.

If the overtime alluded to above was reduced by only 50 percent due in recognition of the fact that unusual circumstances do occur over the course of a year the savings to the taxpayer would be approximately \$26,620 per year.

It is also recommended (# 60) that Morristown contract with the Morris County Municipal Utilities Authority (MCMUA) to pick up all recyclables. Based upon the current fixed monthly fee charged by the MCMUA it is highly unlikely that Morristown can provide the service at the same cost. Based on a rate of \$1.70 per month and 3,650 units the estimated annual cost would be \$74,460

The combined effect of revising the refuse collection routes and transferring the responsibility of collecting recyclables to the MCMUA would permit the town to reduce the public works staff by at least three positions. The estimated annual savings would be approximately \$100,980 per year.

Waste Water Collection and Treatment

In much the same manner that changes were made in refuse collection and recycling to reduce the town's overall cost, the same has occurred at the sewage treatment plant. Two eight-hour shifts are used to operate the plant rather than the three shifts that had been previously scheduled. In addition the town received permission to utilize dual civil service titles to provide more flexibility and enhance the utilization of its personnel.

Notwithstanding these significant changes, the cost of sewage collection and treatment is still one of the major cost drivers in Morristown. As noted in an earlier section of this report, the primary cause is the debt service on a plant that was over-built given the development capacity of the town. The plant normally operates at less than 40 percent of its capacity.

Based upon the current operating costs, if 20 percent of the capacity of the plant was sold or utilized flow from another municipality, the estimated increased revenue would range from a low of \$343,790 to a high of \$567,255.

As stated in a previous section of this report:

A. It is recommended (# 61) that Morristown actively solicit one or more municipal customers, even if the town must participate in the cost of installing lift station and force mains to make the connection to their new customer; and,

B. It is also recommended (# 61.a) that a significant portion of any new revenue resulting from a contract with another municipality be earmarked for the reserve for debt service.

Notwithstanding the previously stated concerns about the town's existing debt, the existing inflow and infiltration problem cannot be overlooked. Based on data obtained from the staff, between 200,000 and 500,000 gallons of groundwater and/or rainwater flow unnecessarily into the sewage collection system every day. This means that 6 to 16 percent of the existing flow into the sewage treatment plant is unnecessary. It also means that the true sewage treatment demand at the plant is between 24 and 34 percent of capacity.

It is recommended (# 62) that a specific capital replacement plan be developed for the replacement or slip-lining of leaking sewage collection pipes. The fact that the town has had portions of the collection system videotaped every year would indicate that

efforts are already being made to find the most troublesome inflow and infiltration locations.

HEALTH AND HUMAN SERVICES

The Cost of Animal Control Services

In 1994 Morristown spent over \$52,325 for animal control services. The 1995 appropriation was reduced to \$39,897. This is yet another indication of Morristown's efforts to control the cost of government services, however the Local Government Budget Review Team believes additional savings can be found without compromising the quality of the services being provided. **It is recommended (# 63) that Morristown solicit bids for the provision of all animal control services.** The private firms providing these services look at the size of a municipality and the population density as well as any existing records on past activity when considering what should be bid. Based upon these factors it would be reasonable to project that the contracted services should not cost more than \$15,000 per year. Based upon this estimate, the annual savings to the taxpayer would be approximately \$24,900.

Access to the Division on Aging Programs

While not strictly enforced, programs and events sponsored by the division on aging are limited to residents of Morristown. In much the same manner that the leisure patterns of younger adults and children are not molded by the political boundaries of municipalities, the friendships and social networks of the senior citizens are not restricted. Accordingly, **it is recommended (# 64) that all programs offered by the Morristown Division on Aging be open to the residents of Morris Township and Morris Plains.** It should be noted that in the report provided to Morris Township it was recommended that they open all of their recreation programs to residents of Morristown. The cost of most programs and events offered through the Division on Aging would not be affected by a marginal increase in attendance.

The opportunity to establish a comprehensive inter-local agreement for the provision of programs and services for the senior community should not be overlooked. This is identified in Section Four, "Opportunities for Enhanced Cooperation."

The Staffing of the General Assistance Program

In spite of the fact that Morristown is the site of many county-based social service programs as well as a host of non-profit agencies providing services targeting the needy, the welfare rolls of the town are not large. Based upon the average number of clients, the staff is larger than in other communities with similar welfare enrollments. Some of these, such as Keansburg, have very active work placement programs and eligibility investigations that consume a considerable amount of staff time. **It is recommended (# 65) that the equivalent of one full-time position be eliminated** from the staff of the

general assistance program. The net savings to the Morristown taxpayers would be approximately \$22,970 per year.

An alternative to the staff reduction would be to significantly expand the work done to verify welfare eligibility and to identify work sites to placement of those deemed capable of working. If the Keansburg experience is a fair barometer these two actions will reduce the welfare roll by 25 to 33 percent while providing both a sense of value and work opportunities to those in need.

Recreation Programming and Fees

The review team found little relationship between the costs of program and the fees charged as well as little organization or rationale for the selection of programs being offered. In addition, it did not appear that the costs of maintaining and operating the municipal pools were being covered by the fees being charged.

The seventh suggestion in Section Four of this report establishes the concept of a consolidated leisure service delivery system. Given the friendships made in the Morris School District classrooms, the resulting networks between parents, the interlocking neighborhoods, the network of churches and their social groups, the independent organizations providing youth sports programs, and the highly successful joint library the reality is that most leisure opportunities are already consolidated to some extent. Accordingly, **it is recommended (# 66) that Morristown work to consolidate all of its recreation programs**, preferably under the umbrella of a Community Education and Recreation Fund, in cooperation with Morris Township, Morris Plains and the Morris School District.

In the interim **it is recommended (# 67) that the governing body adopt a formal policy outlining the extent to which all direct and indirect costs generated by the recreation program are to be covered by fees and other non-tax revenues.** It would be prudent to establish a specific target date for the goal to be met. Adoption of such a policy should result in a detailed review of the costs of each program, the number of registrations that occur per class, event or season as appropriate and the revenues that are derived.

It is also recommended (# 68) that Morristown give consideration to establishing consolidated management of the municipal pools with Morris Township and Morris Plains. Sharing the overhead cost and consolidating the scheduling of part-time personnel should result in a reduced expense for each of the participating municipalities.

As part of an overall marketing recommendation contained in the report submitted to Morris Township it was suggested that consideration be given to cooperative or reciprocal arrangement for individuals holding season pool passes. The review team was told there was considerable overlap in the use of the pools owned by the municipalities. This

appears to be driven by the fact that friendships are made during the school year and the fact that political boundaries bear no relationship to neighborhoods.

Library Services

The joint library for Morristown and Morris Township citizens is a daily reminder of the success that can be achieved through cooperation. This cooperation actually extends beyond these two towns as a result of the reciprocity agreements.

As a result of past court decisions, the library has chosen to enhance its security services through the use of police officers inside the building. The cost of these officers is borne through the library budget. In the interest of keeping this cost to a minimum while at the same time retaining the service, **it is recommended (# 69) the library pursue an arrangement with each Chief of Police to utilize officers that might not otherwise be able to work**, particularly those who have not yet been cleared for full duty resulting from a workers compensation injury.

This would enable Morris Township and Morristown to lower the number of lost work days. If an officer can be removed from a no duty status earlier by assigning the individual to limited duty security work in the library, then it would be in the best interest of the local governments to do so.

SECTION THREE

OPPORTUNITIES TO AMEND STATE PROCEDURES

The Cost and Availability of Alcohol Beverage Control Licenses

The annual license fees charged by Morristown for the three types of alcohol beverage licenses are at the maximum amount permitted by State law. Based upon interviews with members of the State staff, the review team learned that the ceiling on these fees has not been raised for at least ten years, if not longer. **It is recommended (# 70) that the State index the annual ceiling on the cost of alcohol beverage licenses** in much the same manner that the budget cap is indexed. Given the lag in making an adjustment to this fee it may be prudent to adjust the fee upward first before implementing the indexing process.

A strong argument can be made that the license renewal fee is nearly incidental given the other expenses, revenues and profits associated with the distribution or sale of alcohol. It can also be argued that Morristown and other municipalities are not recovering their true costs associated with the license renewal process or the police calls resulting from incidents in establishments serving alcohol.

In 1996 The State Planning Commission recognized Morristown as a regional center. Morristown was among the first in the State to be granted this designation. This designation helps to confirm the fact that a tremendous number of people travel to Morristown to work and/or to shop. There are estimates that the daytime population is four to five times larger than the resident population. **It is recommended (# 71) that the State of New Jersey give consideration to basing the number of authorized alcohol consumption licenses in designated regional centers on a sound estimate of the daytime population rather than the resident population now used.**

In a designated regional center like Morristown there are many restaurants, some of which rely extensively on the daytime business. The ability to obtain an on-premises consumption license could be instrumental in ensuring the continued success of some of them. An additional three to five consumption licenses would increase the town's non-tax license and permit revenues.

SECTION FOUR

OPPORTUNITIES FOR ENHANCED COOPERATION

The Township of Morris, the Town of Morristown and the Borough of Morris Plains are already inextricably inter-related in many ways. A very strong argument can be made that they are economically dependent upon each other. Without the residential population the surrounding retail and commercial ventures would not survive. Conversely, without the existing retail and commercial outlets the residential areas would not have developed as they have. This relationship and the resulting impact on assessed valuations and tax rates is strong enough that it is in the best interests of the taxpayers of all three jurisdictions to do everything possible to ensure the well being of the entire region.

Morris Township and Morristown already share a common library. The Morris Plains residents have equal access to this facility as a result of the existing reciprocity agreements. All of the public high school students share the same faculty and facilities. There is a common ambulance service. Inter-agency contracts exist for the provision of many public health services. The independent youth athletic programs make no distinction concerning where their registrants live. The formal mutual support agreements and the day-to-day cooperation between police departments and fire departments are clearly commonplace. The analysis of purchase orders completed by the review team indicated that there are common vendors and service contractors among the three municipalities.

Notwithstanding the existing level of cooperation there are differences in attitude that create a level of tension or frustration which may be hampering the opportunity for even more cost-effective cooperative arrangements. When pressed to describe the real magnitude of these differences every person suggested that they can be overcome given an earnest commitment to constructive change and an enhanced appreciation for the region defined by the perimeter of Morris Township and Morris Plains.

Ironically, it is the staff of the Morris School District that is probably the most aware of and sensitive to the real or perceived differences in the communities. On more than one occasion the school district has functioned as a de facto arbitrator or referee in disputes arising out of the different perceptions or the different procedures of the communities.

The potential for enhanced cooperation resulting from improved relationships clearly exists as indicated by the fact that members of the executive staffs of all the local agencies having been getting together on a regular, albeit informal, basis for quite some time. This dialogue should be expanded. Accordingly, **it is recommended (# 72) that the governing bodies of the three municipalities and the two school districts formally designate an official to be an inter-agency liaison** for the express purpose of having regular discussions on topics of mutual interest. Given their involvement, it would appear to be beneficial to invite a representative of the Leadership Morris Shared Services Project to serve as an ex-officio member of this group. There are innumerable ways in which two

or more agencies can implement a plan to reduce expenses through cooperation. These include but are not limited to:

A. **Single-source contracting** between agencies where one agency assumes responsibility for all services defined in a contract. For example, Middletown Township provides all building code inspections services for Keansburg and Atlantic Highlands. Middletown recovers its costs based upon a mutually agreed upon schedule of fees.

B. **A mutual or combined staff**, physically housed in one agency yet performing work for all jurisdictions involved in the agreement. The most common examples are consolidated planning and zoning staffs where the importance of a regional orientation is acknowledged and utilized to the fullest extent possible.

C. **Cooperative contracting** where two or more governmental agencies jointly contract the services of a private vendor. This is analogous to the cooperative purchasing ventures already used by many governments. The concept is now being expanded to include services ranging from road repair to computer hardware and software maintenance contracts.

D. **Shared staffing** where two or more agencies cooperate in underwriting the payroll and benefit cost of one or more staff members who perform different work for each agency involved. This is most common where a particular expertise is needed, but none of the agencies can justify a full-time position or full-time staff by itself. Common examples include systems operation and management information systems personnel, an arborist or agronomist, an attorney specializing in tax and foreclosure proceedings, etc.

E. **Mutually supported enterprise functions.** By its very name an enterprise function should be self supporting. There are, nevertheless, some cases where a limited amount of tax support may be considered appropriate, particularly if the tax burden can be reduced through a cooperative effort, to ensure the long term viability of the function. A “Community Education and Recreation Department” would be a good example.

F. **Consolidation of Structured Services.** In many cases the function and procedures of a governmental office are precisely outlined by statutes and regulations. There is little room for local interpretation or local deviation from the established procedures. Given the uniformity in procedures economies of scale can be readily achieved through consolidation of one or more offices. A consolidated tax collection office would fit this model.

The six examples outlined above focus on three different service characteristics. They address the need to reduce redundancies, particularly for optional governmental services; utilize specialized areas of expertise in a cost effective manner; and take advantage of economies of scale in structured functions.

Based upon the review completed on behalf of the Town of Morristown, the Borough of Morris Plains and the Township of Morris the following nine items have been identified as prime opportunities to reduce costs through cooperation. The inclusion of a recommendation is not, under any circumstance an assessment of the staff currently performing the functions listed below. The review team used organizational size and structure, level of service being provided, market place conditions, local procedures and governmental responsibility as the primary criteria for considering opportunities for additional cooperation. Recommendations for enhanced cooperation previously offered in this report and the reports submitted to the other two municipalities are not restated. They are, nevertheless, valuable opportunities worthy of consideration.

In some cases the Morris School District and the Morris Plains School District can benefit from, participate in, or even become instrumental in facilitating the success of the recommendations outlined below. It is expected that additional opportunities for cooperation will be included in the reports being prepared for these agencies.

1. Cooperatively contracted vehicle maintenance. The work space for the public works departments of all three municipalities is at a premium. Given the total geographic size of the three communities and the total number of vehicles being maintained there is no apparent need to retain three separate vehicles maintenance functions. **It is recommended one vehicle function be established to serve all three agencies.** At least two different options appear to be plausible. First, the three agencies can jointly bid for all vehicle maintenance and repair work to be done by a private contractor. One site may have to be designated for this work.

A second alternative would be to implement an arrangement similar to the agreement being used in the Somerset County garage. In this case the county has established an inter-local agreement for maintenance and repair of municipal vehicles. The range of work to be done by the county and the fees for the work are clearly spelled out in the agreement.

In this instance one municipality could become the host agency while the others would send their work to the host. The opportunity for cooperation with the county should not be overlooked as they already make fuel available for municipalities.

2. Interlocal Building Permits and Inspections. The demand for building code inspections tends to vary from year to year based upon the economy, interest rates and other factors beyond local control. One plausible way to mitigate the variation in activity is to have one centralized staff. The Middletown Township agreement with the Boroughs of Keansburg and Atlantic Highlands can be duplicated effectively.

Building permits are issued in each local town hall and all fees are collected in the local town hall. Inspection requirements are faxed to Middletown where they are scheduled and promptly completed. Middletown then bills the local municipality for the service rendered based upon a previously adopted schedule of fees. After an initial period of hesitancy

contractors found this to be a very effective system because there was greater continuity and consistency in the inspection process. The local agencies retain the ability to monitor the number of permits issued for tax assessment purposes and they retain the net fee after making the scheduled payment to Middletown.

3. Interlocal Fire Safety Inspections. The number of fire safety inspections does not vary as much from year to year as do the building subcode inspections. It will tend to increase as additional buildings classified in the “life hazard” category are constructed. Morris Township currently completes all of their inspections utilizing three fire fighters cross trained as inspectors. Morristown utilizes the services of the New Jersey Department of Community Affairs. Morris Plains retains the services of a part-time inspector.

It is recommended that an interlocal agreement be adopted to authorize the certified fire subcode officials on the Morris Township staff to do the inspection for all three communities. Even if it became necessary to remove one or more of the township’s inspectors from the dual role of fire fighter it should be possible to get all inspection work properly completed at the local level on a timely basis. The use of local personnel may also enhance the dialogue with the fire fighters since one of their ongoing requirements is to maintain an accurate working knowledge of the structure and organization of the major building within their area of response.

4. Consolidated Tax and Utility Collections. Specific recommendations regarding the scheduling of utility payments are discussed in an earlier section of this report. The tasks of billing, collecting and reporting for utilities and property taxes is remarkably consistent across agencies. As a result the ability to accurately project costs and to apportion costs based upon the number of accounts managed is relatively easy. The vast majority of bills are paid through the mail. It is recommended that consideration be given to consolidating the printing, mailing, collection, depositing and reporting of tax and utility bills. Given the availability of space in the new Morristown Town Hall the consolidated staff could be located there. If necessary, limited walk-in service could still be provided in Morris Township and Morris Plains. Each municipal staff would still have bonded personnel authorized to collect and handle money.

5. Consolidated Payroll Services Contract. The rates being paid by each agency are different. This appears to be due to the relative size of the respective staffs, the date when the service was contracted and the optional services selected by each agency. If the local agencies can reconcile the differences in the optional services being used, and the payroll calendars are coordinated to ensure maximum uniformity, it should be plausible to bid this service as one entity. This business arena is becoming increasingly more competitive. It would be in the best interests of the taxpayers to make optimum use of these market conditions.

All of the contracted payroll services observed by Local Government Budget Review Teams have the ability to code, sub-code, sort and sub-sort their data reports. Given the

increasing competitiveness of this service the several vendors may be interested in pursuing such an agreement.

6. Emergency Services Dispatching. The volume of calls documented by each of the fire services and each of the police services does not equal the number of calls commonly received in a city having the same size population. In addition, the historical patterns of call data clearly show fairly consistent patterns of minimum activity during certain hours. It is recommended that consideration be given to a consolidated dispatch function during at least one shift, if not entirely. Arrangements exist between New Jersey towns today where the dispatch responsibility is shifted to a “central” agency for set hours of the day. The fees charged by the host agency do not equal the costs to staff a separate dispatch center since additional personnel are usually not needed. Both agencies are able to reduce their net costs without reducing the effectiveness of their response system.

It may be practical to approach this incrementally. If consolidated dispatching were to be successful during one shift it could be expanded to other shifts as desired. Given the multi-channel capabilities of the existing radio systems, the initial capital outlay to ensure communication capabilities exist between the central dispatch site and all police vehicles should be minimal.

7. Consolidated Recreation Programming. Many of the youth athletic programs are provided by independent organizations. These groups receive a small stipend from the municipalities and they also have access to the publicly owned playing fields. Other recreation programs are provided directly by the local governments. Recommendations have been made previously encouraging the respective municipal agencies to reconsider the extent to which tax revenue is used to subsidize recreation services. The lower the tax subsidy the less likely they are to be concerned about where residents live.

The debate over the propriety of using tax revenue for special events and recurring programs took on greater prominence in the mid-seventies when the voters of California passed Proposition 13. This action, which has since been mitigated partially, changed the connotation of municipal recreation from a governmental function involuntarily subsidized by taxes to a proprietary function underwritten by voluntarily paid fees.

The library is a major component of any leisure service delivery system. It is one of the existing examples of a strong, successful cooperative venture. Given the existence of a community school enterprise fund in the Morris School District budget, it may be plausible to develop a common Community Education and Recreation Fund. This premise will be more fully discussed in the Morris and Morris Plains School District reports.

8. Consolidated Programs and Services for Seniors. In much the same manner that youth and family leisure programming can be consolidated, the special programs and services offered to the senior residents of Morristown, Morris Plains and Morris Township can be coordinated through a comprehensive inter-local agreement. One comprehensive

set of programs and services supported by all three municipalities is much more likely to be responsive to a larger number of citizens in a more cost effective manner.

9. Seasonal Road Repair. The advent of Spring always brings with it a certain uneasiness in every local government as the demand for road patching work grows. The need to patch winter potholes usually occurs at the same time the crews are trying to finish the leaf pick-up that is so often interrupted by an early snowfall or prepare the outdoor facilities and fields for Spring activities. It can be a no-win situation for the public works staff, the executive staff, the elected officials and for the taxpayers.

None of the three municipalities can afford the luxury of a full-time road patching crew nor do any of them own the capital equipment needed to do an effective job. To get the job done each public works director must “rob Peter to pay Paul.” It is recommended that consideration be given to jointly bidding a road patching contract based upon a unit price for work completed. Even if a baseline fee had to be paid it would, in all probability, be less than the overtime expense currently being incurred. This would also allow the municipal crews to complete their other major seasonal tasks.

None of the recommendations offered above are new, unique or novel. Arrangements similar to those described above already exist between municipal agencies. The inventory of cooperative ventures is large and it is growing.

By raising these issues and putting them on the table, we hope that the local elected officials in Morris Township, Morristown and Morris Plains will be able to accelerate the degree to which they adopt cooperative agreements to provide the best possible services to the taxpayers at the lowest possible tax rate.

LOCAL GOVERNMENT BUDGET REVIEW

Brian W. Clymer, State Treasurer
James A. Archibald, Deputy State Treasurer
James DiEleuterio, Deputy State Treasurer
Louis C. Goetting, Assistant State Treasurer

Jane Kenny, Commissioner, Department of Community Affairs
Beth Gates, Director, Division of Local Government Services

REVIEW TEAM

Frederick (Rob) Robison, Team Leader
Department of the Treasury
Local Government Budget Review

Jennifer Petrino, Local Government Budget Review
Matthew DeKok, Local Government Budget Review
Richard Thompson, Local Government Budget Review
Naomi Bourodimos, Local Government Budget Review